

SUMMARY

PROPOSED LEGISLATION NEWARK ART CENTER

PURPOSE

The purpose of this draft bill is to permit the development of a Performing Arts Center Complex and an Arts Development District within the City of Newark. The Performing Arts Complex would serve as a development magnet to attract consistent, mixed use projects (shopping, restaurants, housing and offices) to a designated arts district. The bill contains the necessary governmental and financial elements to provide for the support of the Performing Arts Center Complex and the Arts District.

BACKGROUND

The concept of a performing arts center was first proposed in the Shaver Report issued in 1987. At the direction of Governor Kean, the (Shaver Group) conducted a statewide study which examined the feasibility of developing performing arts facilities throughout the State. The most significant recommendation which, resulted from the study was the construction of a \$250. million Performing Arts Center in Newark.

Following the issuance of the Shaver Report, the private Performing Arts Center Corporation (PAC) was formed to move the project from a recommendation to a reality. The corporation selected a 12-acre site adjacent to Military Park in Newark and produced an initial financial plan for the construction of the first phase of the Center, the Music Hall. In addition, Jim Rouse of the Rouse Corporation introduced the idea of arts related development extending beyond the site to approximately 13 acres along the Passaic River waterfront.

The financial plan for this first phase of the project anticipated the participation of the State (\$33 million) and the private sector (\$33 million) and approval of a \$10 million Urban Development Action Grant (UDAG). The plan called for the State and private sector to commit their share (\$66 million). The PAC would then seek the City's contribution and other funding sources to construct future buildings. The development of the arts district was not addressed by this plan.

After much discussion and debate, the State's contribution was included by language in the Governor's FY 90 budget proposal. The release of the State's contribution required legislative approval after a plan was developed. However, the State budget crisis made the \$33 million contribution doubtful.

\$1.9m
in budget

In February 1989, Senator Weiss and Treasurer O'Connor began discussions about the legal and financial elements needed to make the Arts Center possible in spite of the State's financial crisis. Those discussions were held during the Spring of this year.

As part of these discussions, the Treasurer's staff and the Senate Majority Office staff reviewed other arts center projects around the country. The result of these discussions was a financial and development plan that could make the Center possible. The first step was a State pledge of \$20 million to purchase the land designated for the Arts Center Complex. The purchase will be accomplished through the issuance of bonds by the Economic Development Authority (EDA). Once this is accomplished, the State will lease the land from the EDA. The \$1.9 million required for the State lease payment was included in the FY 90 Appropriation Act.

Handwritten notes:
EDA
\$1.9m
budget

The next step is for the State, City and the private corporation to fashion a legislative and financial plan to facilitate the construction of the Center and spur private investment in and around the Arts Center site which is consistent with the development goals for the District. This is the purpose of the proposed legislation discussed below.

PROPOSED LEGISLATION

This bill would create an Arts District Development Corporation to oversee the construction of the Arts Center and plan and manage development within the Arts District. The Arts District would include the Arts Center site and approximately 13 acres of land that fronts the Passaic River (see Map).

Handwritten note: ADDC

The establishment of such a district would encourage mixed use development that compliments and supports the arts and the Performing Arts Center.

State designation of such a district is not new. Within the City of Trenton, the Capital City Redevelopment Corporation is planning the revitalization of a defined area. The Corporation and the Arts Development District contained in this bill are modeled after the Trenton example.

Like the law enacted for the City of Trenton, this bill would confer broad powers upon the corporation to effectuate the revitalization of the district. If necessary, the Arts District Development Corporation may enter into partnership agreements in order to realize this goal. The Arts District Development Corporation is granted planning powers within the District. Like Trenton, the City of Newark is

directed to implement the corporation's 10-year Development Plan by enacting a zoning ordinance which is fully consistent with the plan. In order to assure that consistency, the corporation is made a party to any public hearing held on variance applications and must approve any such applications.

Any public entity which undertakes any construction within the arts district is required to file with the Arts District Development Corporation Board an impact statement which describes the ways in which the proposed construction is consistent with the plan. This requirement is also imposed upon any public entity which undertakes construction within the Capital City District in Trenton.

The arts center complex itself could be constructed and managed by a private corporation under contract with the Arts District Development Corporation. The private corporation would collect the private donations and could share in any revenue received by the Corporation from the city or private development projects.

The development of the Arts Center would be supported by both the State purchase of the 12 acre site and private fundraising. These sources should be sufficient to construct the first building, the Concert Hall. In order to complete a second building, additional revenue must be found. The proposed bill contains methods to fund the second phase and provide for future revenue.

The first source of revenue is from mixed use development projects undertaken on the Arts Center Site itself or within the District. Assuming additional arts related buildings are not feasible, a development project located on the site could provide future revenue from leases or other arrangements. The Corporation could also participate in projects within the District which could generate future revenue. However, this possibility will not provide funding for the second building.

*central
12
acre
site*

The second method is the creation of a Revenue Allocation District (RAD) within the City of Newark. A RAD is a geographically defined area of the city which will provide a portion of future tax and fee revenue (increments) to support development of the complex and district. The bill would define the district. The agreement on the amount and kind of future revenue to be allocated to the district is left to the corporation and the city.

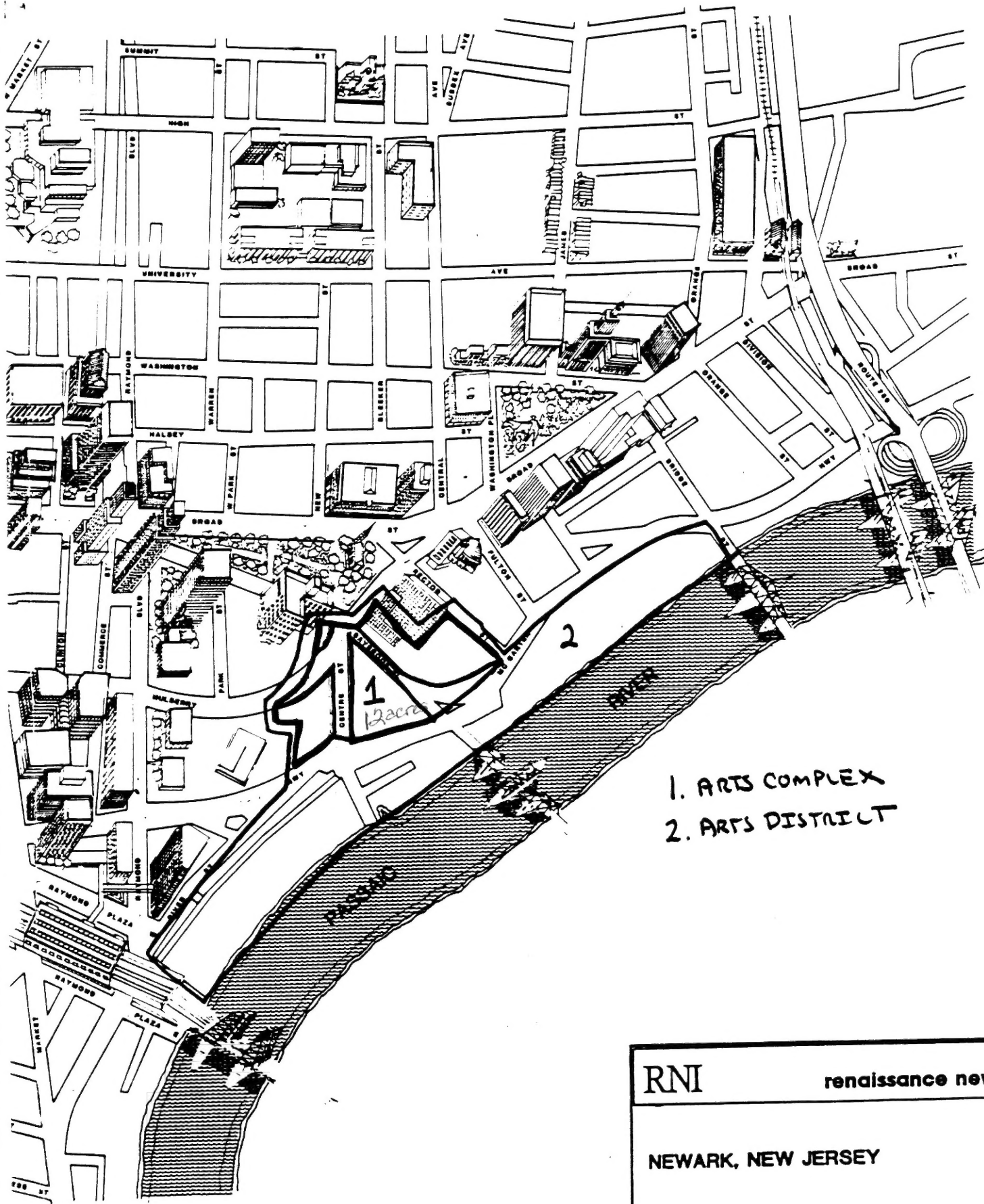
The bill lists certain revenues which the corporation may determine to receive the "increments" of in order to fund project costs. The revenues from which increments may be derived are property taxes, payroll or wage taxes, certain

lease payments, in lieu of tax payments or service charges paid by the State, parking taxes, admissions and sales taxes received from the operation of a public purpose facility which the corporation is authorized by law to retain, amounts received from the urban enterprise zone assistance fund and parking revenue from public parking facilities built pursuant to the corporation's district plan. The increment, except the property tax increment, is determined by calculating the difference between the amount collected from the relevant revenue source in any calendar year less the amount collected from that same source in the calendar year immediately preceding the adoption of a certain element of the district plan. The property tax increment is also determined by calculating the amount collected above a certain base but certain adjustments may be made depending on various modifications to the tax base. Thus, the city would continue to receive a constant "base" amount from the revenues and the increments would be deposited into a fund of the corporation. Some amount may be returned to the City for general purposes.

The moneys deposited in the fund may be used for projects costs, paying the principal and interest on any bonds, notes or other obligations guaranteed by the corporation, making loans and grants and paying the operating expenses of the corporation. The corporation itself is not permitted to issue bonds or notes, except that if the city of Newark determines the district area to be blighted, the corporation would have the bonding powers granted to it as the entity responsible for the blighted area.

Finally, the bill provides continuing authorization for the State appropriation of such sums as are necessary to pay the State's obligations pursuant to a lease with the New Jersey Economic Development Authority for the lease of real property and infrastructure improvements thereon purchased by the authority for the State for the Performing Arts Center. The bill permits the State Treasurer to enter into that lease with the Authority and provides that upon the final payment of the lease, the title to the property shall revert to the State. The bill also requires any sublease for use of the Performing Arts Center site shall be subject to the approval of the Director of the Division of Budget and Accounting and the Joint Budget Oversight Committee or its successor.

SC/ngb



- 1. ARTS COMPLEX
- 2. ARTS DISTRICT

RNIrenaissance newark inc.

NEWARK, NEW JERSEY

Milward & Associates
Architecture and Planning
3 Washington Place
Newark, N.J. 07102

TEL: (201) 624-1400